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SECTION 1 BUDGET CONCEPTS

A) DEFINITION

A budget is a plan of financial operations embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. In the State of Michigan, all general and special revenue funds are required by law to be budgeted annually. Revisions to the Uniform Budgeting and Accounting Act in 2000 removed Debt Service Funds from the type of funds required to adopt a budget.

B) PURPOSE

Under Michigan Public Act 621 of 1978, a budget appropriation (resolution adopting a budget) must be in place before a governmental unit may commit to spending money in their General Fund or Special Revenue Funds. However, there are other reasons for developing a budget. An important reason is to ensure that libraries establish a plan on how to allocate resources in order to meet the goals and service expectations of the library. For that reason, although an official budget is not required for debt service or capital project funds, it is prudent to develop a financial plan for those activities. The plan could be prepared on an annual basis, or on a project basis. A budget also allows for easy evaluation of whether the goals and service expectations are being met.

C) BUDGET PROCESS

Regardless of the type of library, the annual budgetary process involves the following three generic phases:

1. Preparation

The preparation phase is usually the responsibility of the library director. It is accomplished by analyzing past financial data and allocating the anticipated library resources to provide the various services and activities for library patrons.

2. Adoption

Once the budget has been prepared, it is presented to the library's legislative body (the legislative body will vary depending on the type of library) for consideration, possible modification and final approval. Typically, the public is invited to participate in this phase via public hearings on proposed budgets.

3. Execution

Budgetary accounts are set up to record the estimated revenue and expenditures for the appropriate funds. As economic conditions and circumstances change, budget amounts can be amended by a process determined by the library's legislative body. Typically, the process is very similar to that of the original budget. The budgetary amounts are then compared with actual amounts periodically (usually monthly). This allows the library's management team to effectively operate the library. The comparison of budget to actual results can be accomplished using a variety of formats. Please refer to the Financial Reporting chapter for further discussion.

SECTION 2 TYPES OF BUDGETS

Types of budgets available to libraries are:

- 1) Line item – a line item budget shows a library's budget by account type (e.g. Salaries)
- 2) Cost center – a cost center budget shows a library's budget by groupings (e.g. Personnel)
- 3) Fund total – a fund total budget shows a library's budget in fund totals (e.g. Total General Fund Expenditures)

All of the above budget types are acceptable methods of budgeting. Typically, the line item or cost center budgets are used. The use of either of these not only meets legal requirements but also provides management and the board with an effective tool to help operate and manage the library.

SECTION 3 BUDGET REQUIREMENTS

In order to comply with the Michigan Public Act 621 of 1978, certain requirements must be met. The following questionnaire is a general guide to the specific requirements. All questions should be answered "yes" to comply with the Budget Act. "The Uniform Budgeting Manual for Local Units of Government in Michigan" and other additional information regarding the Budget Act may be obtained from:

The State of Michigan
Local Audit and Finance Division
Department of Treasury
Treasury Building
Lansing, Michigan 48922
(517) 373 – 3227
www.treas.state.mi.us or
www.michigan.gov/treasury

Budget Questionnaire

	<u>Yes/No</u>
1. Has a budget been adopted (General and Special Revenue Funds)?	_____
2. Was a public hearing held on the budget?	_____
3. Was all the necessary information included in the budget document for the budgetary funds:	
A. Actual prior year (both revenue and expenditures)?	_____
B. Estimate of current year (both revenue and expenditures)?	_____
C. Proposed budget (both revenue and expenditures)?	_____
D. Amounts for contingencies if appropriate?	_____
E. Amount of fund balance (deficit) accumulated from prior years and the estimated surplus or deficit expected in the current year?	_____
4. Is the budget balanced (budgeted fund balance is zero or positive)?	_____
5. Has the budget been amended when necessary if actual revenue is less than the budget estimated?	_____
6. Has the budget been amended to allow expenditures in excess of the original appropriation?	_____
7. Are expenditures equal to or less than amounts appropriated?	_____
8. Are all expenditures authorized in the budget?	_____

SECTION 4 BUDGET CALENDAR

The following is an example of a budget calendar for a library with a fiscal year of January 1 through December 31.

Timeline	Process
July	Library director begins process – concludes on format, sets management team's workshop sessions and submits data request to management team
August	Data request forms collected and summarized in workshop sessions – initial budget is formed
September	Proposed budget submitted for board review
October	Board reviews and provides input on proposed budget
November	Public hearing and budget adoption

**SECTION 5
EXAMPLE BUDGET**

The following is an example budget with attached supporting documentation. This is one example of how detail information ties into the summary budget document. In determining the level of revenue and expenditure detail to reflect in the budget, consider the needs of your library board, the format required by the Library of Michigan for its statistical report and any requirements of other funding sources. The first report is a summarized budget. The second and third reports are excerpts of detail supporting the budget.

**LIBRARY OF SOMEWHERE
GENERAL FUND – BUDGET
YEAR END DECEMBER 31, XXXX****REVENUE**

PROPERTY TAX	\$228,000
SINGLE BUSINESS TAX	1,000
STATE AID TO PUBLIC LIBRARIES	13,000
CONTRACT FEES	6,000
OTHER FEES	3,000
FINES (PENAL FINES & OVERDUE FINES)	45,000
MISCELLANEOUS & CONTRIBUTIONS	21,000
INTEREST	<u>8,000</u>
TOTAL REVENUE	<u>\$325,000</u>

EXPENDITURES

SALARIES	\$161,000
FRINGE BENEFITS	34,000
SUPPLIES	10,000
LIBRARY MATERIALS	39,000
PROFESSIONAL & CONTRACTUAL SERVICES	14,000
OTHER OPERATING EXPENDITURES	25,000
CAPITAL OUTLAY	1,000
DEBT SERVICE	31,000
CONTINGENCIES	<u>10,000</u>
TOTAL EXPENDITURES	<u>\$325,000</u>

**LIBRARY OF SOMEWHERE
GENERAL FUND – BUDGET
YEAR ENDED DECEMBER 31, XXXX
SUPPORT OF LINE ITEMS**

EXCERPT OF REVENUE SUPPORT OF LINE ITEMS

PROPERTY TAX (may be either voted or appropriated)		\$228,000
(Levy 1.6394 mills on taxable value of 139,075,271)		
SINGLE BUSINESS TAX		1,000
STATE AID TO PUBLIC LIBRARIES		13,000
Fully funded at .50 per capita		
CONTRACT FEES		6,000
EAST TOWNSHIP	2,000	
WEST TOWNSHIP	4,000	
FEES (Based on estimates)		3,000
BOOK RENTAL FEES	1,000	
PHOTOCOPY FEES	2,000	

Include remaining revenue line item descriptions and figures in a similar manner.

TOTAL REVENUE	<u>\$325,000</u>
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EXCERPT OF EXPENDITURES SUPPORT OF LINE ITEMS

SALARIES			161,000
XXXX estimate(5 FTE's at 37.5 hours-full time)		131,000	
Plus 5% merit pool for salary increase		7,000	
Plus: one-20/Hr. Lib. Assist. @7.00/Hr		7,000	
one-20/Hr Tech @ 15.00/Hr		16,000	
FRINGE BENEFITS			34,000
MEDICAL/DENTAL		8,000	
(Includes 3% possible increase and 4 by-outs reflected in salaries)			
LIFE INSURANCE/DISABILITY		4,000	
Short Term	3,000		
Life/Long Term	1,000		
RETIREMENT		10,000	
(10% of full time salaries plus administrative costs)			
FICA		12,000	
(7.65% of projected salaries)			
SUPPLIES			10,000
(Based on XXXX estimates)			
OFFICE SUPPLIES		2,000	
LIBRARY SUPPLIES		5,000	
Processing Supplies	3,000		
(Labels, Barcodes, Data Mailers, Book Supports, Tattletapes, Book Processing, Toner Cartridges)			
Youth Dept. Supplies	1,000		
(Construction paper, Bookmarks, Fish Food, Posters, etc.)			
General Library Supplies	1,000		
BUILDING SUPPLIES		1,000	
(Hardware, Lumber, Bird Feed, Ice Melt, Flags, Flowers, Light Bulbs, Air Filters, Signage, etc.)			
POSTAGE		1,000	
Four (4) Mailers, General Mailing, Data Mailers, etc.			
JANITORIAL SUPPLIES		1,000	
(C-Fold Towels, Toilet Tissue, Trash Bags Sanit. Napkins, Napkin Bags, Hand Soap, etc.)			

LIBRARY MATERIALS		39,000
ADULT BOOKS	13,000	
JUVENILE BOOKS	4,000	
ADULT AUDIO VISUAL (Videos, Audio Cassettes, CD's & CD Rom Software)	6,000	
JUVENILE AUDIO VISUAL (Videos, Toys, Cassettes Puppets & Software)	3,000	
SERVICES, SUBSCRIPTIONS, MAGAZINES	13,000	
Services & Subscriptions (e.g. Thomas Registry)	3,000	
Turner & Direct Orders	3,000	
UMI	1,000	
On-line Subscriptions	6,000	
PROFESSIONAL & CONTRACTUAL SERVICES		14,000
ONLINE INFORMATION TECHNOLOGY	11,000	
Staff Computer Software	500	
(New III Modules, Web Access Management, Web Circ, Telephone Notification System, File Transfer Software)	4,000	
III Maintenance (Will inc XXX/mo in XXXX)	2,700	
OCLC	1,600	
Metro Net Service	2,000	
UNIX Computer/IAC	200	
PROGRAMMING	1,000	
Adult	300	
Juvenile	500	
YA	200	
OTHER PROF/CONTRACTUAL SERVICES	500	
LEGAL	500	
MEMBERSHIP & DUES	500	
STAFF INSERVICE/DEVEL	500	

Include remaining expenditure line item descriptions and figures in a similar manner.

TOTAL EXPENDITURES	<u>\$325,000</u>
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LIBRARY OF SOMEWHERE
GENERAL FUND – BUDGET
YEAR ENDED DECEMBER 31, XXXX
EXCERPT OF HISTORIC AND PROPOSED LINE ITEMS

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	PRIOR YEAR ACTUAL	ESTIMATE OF CURRENT YEAR	PROPOSED BUDGET
271-738-403	PROPERTY TAXES	200,000	210,000	228,000
271-738-404	SINGLE BUSINESS TAX	1,000	1,000	1,000
271-738-566	STATE AID	12,000	12,000	13,000
271-738-606	CONTRACTUAL FEES	6,000	6,000	6,000
271-738-607	OTHER FEES	3,000	3,000	3,000
	271-738-609 BOOK RENTAL FEES	1,000	1,000	1,000
	271-738-613 PHOTOCOPY FEES	2,000	2,000	2,000
<p><i>Include remaining revenue line item descriptions and figures in a similar manner.</i></p>				
	TOTAL REVENUE	\$273,000	\$296,000	\$325,000

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	PRIOR YEAR ACTUAL	ESTIMATED CURRENT YEAR	PROPOSED
271-738-702	SALARIES & WAGES	150,000	156,000	161,000
271-738-715	FRINGE BENEFITS	28,000	32,000	34,000
	271-738-716 MEDICAL/DENTAL	6,000	7,000	8,000
	271-738-717 LIFE INS/DISABILITY	3,000	4,000	4,000
	271-738-718 RETIREMENT	8,000	9,000	10,000
	271-738-720 FICA & MEDICARE	11,000	12,000	12,000
271-738-725	SUPPLIES	8,000	11,000	10,000
	271-738-727 OFFICE SUPPLIES	1,000	1,000	2,000
	271-738-728 LIBRARY SUPPLIES	3,000	6,000	5,000
	271-738-729 BUILDING SUPPLIES	1,000	1,000	1,000
	271-738-730 POSTAGE	1,000	2,000	1,000
	271-738-732 JANITORIAL SUPPLIES	2,000	1,000	1,000

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	PRIOR YEAR ACTUAL	ESTIMATED CURRENT YEAR	PROPOSED
271-738-740	LIBRARY MATERIAL	35,000	42,000	39,000
	271-738-741 ADULT BOOKS	11,000	13,000	13,000
	271-738-742 JUVENILE BOOKS	3,000	5,000	4,000
	271-738-744 ADULT A-V	4,000	5,000	6,000
	271-738-745 JUV A-V	4,000	4,000	3,000
	271-738-747 SUBSCRIPTIONS	12,000	15,000	13,000
	271-738-748 BOOK RENTAL	1,000	0	0
271-738-801	PROF & CONT	13,000	12,000	14,000
	271-738-808 ONLINE INFO	12,000	10,000	11,000
	271-738-809 PROGRAMMING	0	1,000	1,000
	271-738-810 OTHER PROF	0	0	500
	271-738-812 LEGAL	0	0	500
	271-738-814 MEMBERSHIP/DUES	500	500	500
	271-738-815 STAFF INSERVICE	500	500	500
<p><i>Include remaining expenditure line item descriptions and figures in a similar manner.</i></p>				
	TOTAL EXPENDITURES	\$272,000	\$296,000	\$325,000